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Maurice Allais [Ideological Profiles of the Economics Laureates]

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Abstract

Maurice Allais is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

A11, A13, B2, B3

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http://econjwatch.org/file_download/714/AllaisIPEL.pdf

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Maurice Allais

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Maurice Allais (1911–2010) was born in France to parents who owned a small retail business in Paris. In 1915, when Allais was only three, his father died while a prisoner of war in Germany. Allais would reflect: “My youth, indeed my entire life, was deeply marked by this, directly and indirectly” (Allais 1989).

Allais began his career in engineering. Following the Great Depression, however, he turned also to economics. Allais had visited the United States in 1933 after graduating from the École Polytechnique. He wrote about the experience:

In the summer of 1933 I had visited the United States, then in the grip of the Great Depression, a very astonishing phenomenon for which no generally acceptable explanation had been found. I had also been very close to the social unrest which had broken out in France following the elections of 1936.

What could be a better way of preparing for the aftermath of the war than to try to find a solution to the fundamental problem of any economy, namely *how to promote the greatest feasible economic efficiency while ensuring a distribution of income that would be generally acceptable.*

Thus, my vocation as an economist was not determined by my education, but by circumstances. Its purpose was to endeavor to lay the foundation on which an economic and social policy could be validly built. (Allais 1992, 234, emphasis in original)

IDEOLOGICAL PROFILES OF THE ECONOMICS LAUREATES

During World War II, Allais first was commander of an artillery unit, then returned to civilian work during the German occupation of France (Allais 1989). Allais said in his 1988 Nobel lecture: “In July 1940, after my demobilization, I resumed again my duties as an engineer in the State mining administration at Nantes, in the zone occupied by the German Army. But my pre-war concerns had completely changed. For me, with all the illusions of youth (I was only 29 at the time), it was clear that the best I could do was to contribute to prepare for the post-war period” (Allais 1992, 233-234).

Allais became a professor of economics at the Ecole Nationale Supérieure des Mines in 1944 and remained in that position thereafter (Allais 1989). After World War II, Allais’s work on capital and interest rates would assist French planners in developing long-term economic strategies (Telegraph 2010). Allais eventually won the Nobel Prize, in 1988, “for his pioneering contributions to the theory of markets and efficient utilization of resources.”

Allais attended the founding meeting of the Mont Pelerin Society in 1947. At the meeting the group worked on and presented a Statement of Aims, which was generally about the advancement of classical liberal scholarship and thought. In his history of the Society, R. M. Hartwell explains that Allais did not sign his name to the Statement:

Of all who attended the 1947 meeting, M. Allais alone refused to sign the Statement of Aims which was adopted by the Society as a guide to its activities. In his major theoretical treatise, he had demonstrated to his own satisfaction that the optimal interest rate in a specified sense was zero; at a zero interest rate, any asset yielding perpetual returns—a piece of land yielding one franc a year in rent—would have a present value of infinity. Hence, private ownership of assets yielding perpetual incomes, of which, like Henry George, he took land to be the prototype, was incompatible with achieving the social optimum. That is why he would not agree to private property in all assets. He wrote to Hayek 12 May 1947 that, while he was “tout en marquant son profond accord à la conception de la liberté économique et politique,” he believed that “la propriété perpétuelle collective du sol” was necessary—a belief quite incompatible with the Statement of Aims, even though he believed also that this was *not* incompatible with “la propriété privée des entreprises.” (Hartwell 1995, 42 n. 1)

A colleague of Allais, Thierry de Montbrial, reflected on Allais’s unique liberal disposition:

[Allais's] ideas are varied and not confined to the strict liberalism of which he is sometimes accused. His social philosophy is undeniable [*sic*] of the *libéral* type (in the French sense, i.e. that it favors both a free, decentralized society and a free-market economy) and, according to him, falls within the same lines of thought as Alexis de Tocqueville's, Leon Walras', Vilfredo Pareto's and John Maynard Keynes' views. But Allais' *libéralisme* is not to be interpreted as doing *laissez-faire, laissez-passer*. The cornerstone of his thinking is that free trade implies appropriate social and institutional organization, with "structural planning" (*Manifesto for a Free Society*, 1959). For example, he considers that completely free trade is only possible between sufficiently integrated countries. In particular, excessive exchanges [*sic*] rate variability and salary disparity between two countries are incompatible with free trade. Allais supports a unified Europe, but this will, in his eyes, require strong commitment and a single currency must be accepted. (Montbrial 1995, 54-55)

Allais felt strongly that "Liberalism must not be reduced to economic laissez-fairism" (Allais 2006/1999). In his Nobel Prize autobiography, Allais wrote, "My major conclusion was that both the economic and ethical objectives of our time can be reached at the same time only if the institutional framework within which the economy works is appropriately reformed, and I have tried to specify the principles for such a reform" (Allais 1989). He echoed and expanded on this theme just a year before his death, when he delivered an address at a UNESCO conference. He began:

During the last fifty years, all the research I have done, all the thoughts that events have inspired in me, all the experience I have gained, have continually reinforced in me the conviction that a society founded on the decentralization of decision-making, on the market economy and on private property is not the best form of society we could dream of in an ideal world in purely abstract terms, but a society which, in concrete terms of reality, both from the point of view of economic analysis and of past experiences, proves to be the only form of society which could best answer the fundamental problems of our time.

But although I have become more and more convinced over the years of the immense superiority of an economically liberal and humanist society, I have another conviction, just as strong, which is that today our society is under threat, particularly because of the ignorance of the fundamental principles that the setting up of a liberal

and humanist society involves. In fact, living together implies for the whole of society a deep consensus of what is essential. If this consensus does not exist, the creation of a humanist society seems to be compromised. (Allais 2006/1999)

Allais identified the threats to a “humanist society” as including “unwarranted earnings,” unemployment, insufficient social advancement, opposition to individuality, and instability. Most emphatically, “Extra-community immigration also undermines the very foundations of social cohesion, a major condition for the efficient and just functioning of the market economy.” Globalization, Allais believed, was “the major cause of massive unemployment and inequalities that continue to develop in most countries.” Thus, he saw protectionism as essential (Allais 2006/1999).

Allais held that, throughout his career, he had “endeavoured to rethink the role of economic liberty and of an economy of markets as regards the search for efficiency and the achievement of the ethical objectives of our time, and to contribute to a thorough study of the questions raised by the economic organisation of societies” (Allais 1989).

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